

# Common Audit and Monitoring Findings

1

## **2017 Federal Funding Conference**

**Kathy Guralski, Assistant Director  
School Management Services  
Wisconsin Department of Public Instruction**

# Audit and Monitoring Requirements

## Uniform Grant Guidance

**§200.501(a)** *Audit required.* A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

## Uniform Grant Guidance

**§200.331** All pass-through entities must:

(6) (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring

# Audit and Monitoring Requirements



## **DPI Monitoring**

Occurs prior to awarding any federal funds to a subrecipient

### Intent and Purpose

- Ensure that subrecipients use federal funds for the intended purpose
- Provide preventative assistance before mistakes are made and funds have to be returned

## **Federal Single Audit**

Occurs at year-end after funds are spent

Determines whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards

# DPI's Monitoring Process

4

The risk assessment is performed for:

- All federal grants, regardless of agency
- All subrecipients, regardless of type
- Every year

# DPI's Monitoring Process

5

## Types of subrecipients:

- Public School Districts
- Independent Charter Schools
- CESAs and CCDEBs
- Non-Profits
- Government Agencies (DOC & DHS)
- Public Libraries
- Private Schools (Food Service)
- Community Based Organizations

# Risk Factors



- Dollar amount of total federal funds
- Known fraud
- Significant or multiple audit findings
- New subrecipient of federal award
- No federal single audit required
- Claims do not match financial annual report
- Newly consolidated or created district
- Program fiscal monitoring findings
- Return of federal funds
- Significant leadership turnover
- Financial concerns
- Compliance with prior year terms and conditions
- Insufficient obligation of funds
- Corporate management organization
- Other concerns determined as a possible risk of noncompliance

# Common Risks



These are the most common risks identified that can result in terms and conditions placed on the federal grants:

- Known Fraud
- Significant or multiple audit findings
- New DPI recipient of federal funds
- Claims do not match annual reports filed with DPI
- Program fiscal monitoring findings
- Return of federal funds
- Not tracking expenditures

# Terms & Conditions

8

For FY2016-17, there were 25-30 subrecipients identified

## Terms and Conditions/Monitoring Activities

- 1) Technical assistance
- 2) Review and testing of written procedures
- 3) Quarterly filing of claims
- 4) Supporting documentation submitted with claim
- 5) Cash reconciliation
- 6) DPI site visit

# Terms & Conditions Follow Up

9

## 1) Technical assistance

- ✦ Contact subrecipient
- ✦ Provide technical assistance individually via phone
- ✦ Provide technical assistance online or conferences
- ✦ Provide links to available resources

## ○ Examples

- ✦ Unallowed cost identified on special education claim, DPI talked with the school district providing technical assistance. DPI comfortable that School District will be in compliance going forward
- ✦ After having the conversation with the school district above, DPI staff determined other districts were also reporting this unallowed cost, they would develop technical assistance for the DPI website



Required Written  
Procedures under the  
Uniform Grant  
Guidance

- The Federal Uniform Grant Guidance (2 CFR, Part 200) requires all subrecipients of Federal funds to document certain grant procedures.
- <https://dpi.wi.gov/wisegrants/uniform-grant-guidance/writtenprocedures>

# Terms & Conditions Follow Up

11

## 2) Review and testing of written procedures

- ✦ Send DPI written procedures (cash management and allowable cost most common)
- ✦ Reviewed for existence and completeness
- ✦ If not, DPI provides subrecipient technical assistance and provides links to available resources
- ✦ Final written procedures are submitted to DPI

## ○ Example

- ✦ District uses the checklist available on DPI website and answers the questions. This is submitted to DPI as written procedures. DPI will contact school district and provide feedback and assistance on putting those responses into step by step procedures

# Common DPI Monitoring Findings

12

- Review and testing of written procedures
  - ✦ No documentation
  - ✦ Policy and not procedure
  - ✦ Answers to DPI checklist of questions
  - ✦ Lengthy and complicated
  - ✦ Unaware of requirement

# Terms & Conditions Follow Up

13

## 3) & 4) Quarterly claims & supporting documentation

- ✦ IDEA and Title I claims must be filed quarterly
- ✦ All claims for federal fund reimbursement must include a copy of the general ledger that matches the claim (printout by project code)
- ✦ Grant accountants review and follow up on any not matching
- ✦ Claim is not paid until supporting documentation matches

## ○ Example

- ✦ When a grant accountant reviews the claim they will look for the costs on the claim to match the same WUFAR coding in the general ledger. If not, they will contact the LEA. This may result in journal entries to record costs appropriately in general ledger and developing a control that will ensure costs are properly accounted for.

# Common DPI Monitoring Findings

14

- Supporting documentation submitted with grant claim
  - No use of project code
  - Year end journal entries moving costs
  - Dollar amount of claim does not match general ledger
  - Dollar amount by line item of claim does not match general ledger
  - Unallowable cost included

# Terms & Conditions Follow Up

15

## 5) Cash reconciliation

- ✦ Sent to DPI
- ✦ Reviewed for completeness and balance
- ✦ If not, another month will be required to be sent until cash is reconciled

## ○ Cash Reconciliations

- ✦ After an audit finding has been identified and DPI places terms and conditions on the agency, generally a balanced cash reconciliation is provided

# Terms & Conditions Follow Up

16

## 6) Site visit to review documentation and procedure

- ✦ Written procedures
  - Allowable cost
  - Cash management
- ✦ Federal grant budgets
- ✦ Federal grant claims
- ✦ General ledger
- ✦ Payroll reports
- ✦ Time and effort supporting documentation

# Tips

17

## Do's

- Document procedures
- Individuals involved are aware
- Review and test procedures to assure implementation
- Track project costs in general ledger (*project codes*)
- Include matching claims to general ledger (*General ledger should match WISEgrants*)
- Include review of costs to budget

## Don'ts

- Ignore requirement for written procedures
- Never review procedures
- Do not share with individuals involved
- Wait until end of year to identify costs
- File claims that do not match costs per general ledger
- Not amending budget as needed

# Audit of Written Procedures

18

## AUDIT FINDINGS AND MANAGEMENT COMMENTS

# Schedule of Finding and Questioned Costs

## Finding #1

### Uniform Grant Guidance Implementation

- Condition:
  - ✦ Policies and procedures in place to safeguard assets and establish related controls over receipts, disbursements, payroll transactions and general ledger maintenance.
  - ✦ Federal awards are managed through District-wide policies and procedures
  - ✦ Policies and procedures have not been evaluated to ensure compliance with the requirements of Uniform Guidance

# Schedule of Finding and Questioned Costs

## Finding #1

### Uniform Grant Guidance Implementation

- **Criteria:**
  - Uniform Guidance requires policies related to cash management, cost allowability, procurement, and conflict of interest provisions, along with appropriate financial management systems and internal controls over federal awards to safeguard federal funds
- **Cause:**
  - District has not finalized assessment of its financial management system and related internal controls over federal awards, along with evaluation of existing policies for compliance with Uniform Guidance

# Schedule of Finding and Questioned Costs

## Finding #1

### Uniform Grant Guidance Implementation

- **Effect:**
  - District could become noncompliant with requirements of Uniform Guidance, resulting in future findings and questioned costs related to federal awards. Current audit did not identify noncompliance with direct and material compliance requirements of the major federal award program

# Schedule of Finding and Questioned Costs

## Finding #1

### Uniform Grant Guidance Implementation

- Recommendation:
  - Assessment of District's financial management system and related internal controls over federal awards.
  - Assessment should include:
    - ✦ Evaluation of existing policies and procedures and determination of where additional enhancements should be made or new policies created
    - ✦ A plan to communicate policies to District employees
    - ✦ Procedures to periodically review and update

# Schedule of Finding and Questioned Costs

## Finding #2

### Payroll Liability Reconciliation

- **Condition:**
  - Payroll liabilities not reconciled to general ledger during the year. Year-end reconciliation revealed a difference that was adjusted at year end and increased expenditures
- **Criteria:**
  - Reconciliation of payroll liability accounts should be made monthly
- **Effect:**
  - Affects expense accounts which are not correctly reflected in the general ledger and could result in incorrect expenditures for grant claims

# Management Letters

## Comment #1

### Uniform Grant Guidance Documentation

- District was not required to have a federal single audit
  - District has not fully implemented the requirements of Uniform Grant Guidance.
    - ✦ Per discussions with key staff and review of available policies and procedures
  - Uniform Grant Guidance requires organizations that receive Federal Awards to enhance their control documentation over managing these grants in an effort to strengthen oversight over federal awards
    - ✦ Recommend enhancing Uniform Grant Guidance documentation
    - ✦ District currently working with an agency to create policies and procedures

# Other Comments and Observations

25

- Federal awards received by District were less than \$750,000. Wisconsin Public School District Audit Manual requires review of internal controls over federal and state awards, a Uniform Grant Guidance audit may have resulted in additional testing of internal controls or compliance over federal awards which may have identified areas where your internal control documentation or District policies could be enhanced or improved primarily with Allowable Costs, Cash Management, Procurement Suspension and Debarment, Conflict of Interest and Reporting

# Other Comments and Observations

- Appropriations

- Budget categories had expenditures in excess of amounts budgeted (appropriated). District should continue to monitor its expenditure activity and adopt budget amendments when necessary to properly authorize expenditures

*CFR 2, §200.308(a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process.*

*CFR 2, §200.308(b) Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with this section.*

*CFR 2, §200.302(b) The financial management system of each non-Federal entity must provide for comparison of expenditures with budget amounts for each Federal award.*

# Other Comments and Observations

27

- District does not have a formal policy regarding employee conflicts of interest

*CFR 2, §200.318(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.*

# Other Comments and Observations

- Although District management has a good understanding of the rules and regulations regarding procurement, Uniform Grant Guidance requires that the procurement policy be written
- The District's purchasing policy should be updated for the new Uniform Grant Guidance procurement requirements for the 2016-17 school year

*CFR 2, §200.318(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.*

# Other Comments and Observations

- The district filed the majority of its grant claims after year-end. This is not proper cash flow management. It also deters the District from reviewing the expenses related to the grant on a periodic basis. We recommend the District file their grant claims throughout the year in order to efficiently manage their cash flow and related expenses.

# QUESTIONS

?

# Resources

31

- Uniform Grant Guidance-DPI Webpage  
<https://dpi.wi.gov/wisegrants/uniform-grant-guidance>
- Written Procedures-DPI webpage  
<https://dpi.wi.gov/wisegrants/uniform-grant-guidance/writtenprocedures>